

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SS-20 L-03 H-03 NSC-07 CAB-09

CIAE-00 COME-00 DODE-00 DOTE-00 INR-11 NSAE-00 RSC-01

FAA-00 AID-20 TRSE-00 OMB-01 FRB-03 XMB-07 DRC-01

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R 201743Z AUG 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4522

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 13190

E. O. 11652: N/A

TAGS: ETRN, XX

SUBJECT: CIVAIR: FOREIGN GOVERNMENT SUBSIDIES TO
FOREIGN AIRLINES

REF: (A) STATE 162608; (B) BONN 06937; (C) BONN 11104

1. THERE FOLLOWS ADDITIONAL INFORMATION ON GOVERNMENT
ASSISTANCE TO LUFTHANSA (LH) KEYED TO THE QUESTIONS
INCLUDED IN REF A.

2. RE QUESTIONS A, B, AND C, PRESENT LUFTHANSA CAPITAL
STOCK AMOUNTS TO DM 400 MILLION, OF WHICH THE FRG HOLDS
ABOUT DM 320 MILLION. THE 1973 STOCKHOLDERS' MEETING
VOTED AN INCREASE IN CAPITAL OF DM 200 MILLION TO BE
COMPLETED BY AUGUST 1, 1978. IN LUFTHANSA'S 1973
ANNUAL REPORT, LONG-TERM CREDIT OBLIGATIONS ARE BROKEN
DOWN AS FOLLOWS: DM 228.2 MILLION IN CREDITS FROM BANKS;
DM 36.7 MILLION FROM THE US EX/IM BANK; PLUS A TOTAL OF
DM 542.4 MILLION IN INVESTMENT LOANS FOR AIRCRAFT
PURCHASES, GROUND EQUIPMENT AND OTHER PROPERTIES. THESE
LOANS WERE OBTAINED FROM THE FOLLOWING SOURCES (A) FRG
DM 488.4 MILLION, (B) STATE OF HESSE DM 5.1 MILLION AND
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DM 48.9 MILLION FINANCING PROVIDED BY AIRCRAFT MANU-

FACTURERS IN CONNECTION WITH CURRENT CONTRACTS. ITEM (A) IS THE TOTAL OF INTEREST FREE LOANS FROM THE FRG CURRENTLY OUTSTANDING (SEE REF B). IT IS EXPECTED THAT AT LEAST A PORTION OF THIS INDEBTEDNESS TO THE FRG WILL BE CONVERTED INTO EQUITY SHARES OVER THE NEXT FEW YEARS AS THE AIRLINE'S CAPITALIZATION IS INCREASED.

3. RE QUESTIONS D AND E EF REF A, LUFTHANSA HAS INVESTED IN A NUMBER OF GERMAN SUPPLEMENTAL CARRIERS, HOTEL CORPORATIONS, BOTH NATIONAL AND INTERNATIONAL, AND VARIOUS ORGANIZATIONS FOR THE PROMOTION OF TOURIST TRAVEL. DURING 1974, THESE ARE TO BE CONSOLIDATED INTO A NEW LUFTHANSA SUBSIDIARY CALLED "LUFTHANSA COMMERCIAL HOLDINGS LTD." DETAILS OF THE SCOPE OF ACTIVITIES OF THIS NEW VENTURE ARE NOT YET AVAILABLE; ALTHOUGH ITS PRIME PURPOSE WILL, OF COURSE, BE THE PROMOTION OF TRAVEL ON LUFTHANSA. FEDERALLY AND LOCALLY SPONSORED TOURIST OFFICES TEND NOT TO BE INVOLVED IN PROMOTING THE NATIONAL CARRIER.

4. RE QUESTION G, GERMAN MILITARY CARGO IS CARRIED ALMOST EXCLUSIVELY ABOARD THE GERMAN AIR FORCE TRANSPORT FLEET, CONSISTING OF FOUR B-707 AND 87 TRANSALL AIRCRAFT. RE QUESTION H, LUFTHANSA PAYS FOR AIR TRAFFIC CONTROL SERVICES AND FACILITIES TO EUROCONTROL ON THE BASIS OF THE SAME FORMULA APPLICABLE TO OTHER INTERNATIONAL CARRIERS SUBJECT TO SUCH CHARGES. RE QUESTION I, LUFTHANSA MAINTAINS ITS OWN EXTENSIVE TRAINING FACILITIES. THE COSTS FOR THE SCHOOL, ITS AIRCRAFT AND RELATED EQUIPMENT LISTED UNDER THE CARRIER'S NON-OPERATIONAL EXPENDITURES IN ITS BALANCE SHEET. A SMALL PERCENTAGE OF THESE COSTS IS RECOVERED THROUGH THE TRAINING OF FOREIGN PILOTS AND PERSONNEL.

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CIAE-00 COME-00 DODE-00 DOTE-00 INR-11 NSAE-00 RSC-01

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5. RE QUESTION J, LUFTHANSA PROVIDES DOMESTIC SERVICES ONLY AS A PART OF ITS INTERNATIONAL NETWORK, LINKING THE MAJOR INTERNATIONAL AIRPORTS IN THE FRG. THE AIRLINE HAS INDICATED IT WILL NOT SERVE DOMESTIC AIRPORTS WHICH CANNOT ACCOMMODATE THE BOEING 737. THESE SERVICES RECEIVE NO OPERATING SUBSIDIES; HOWEVER, A NUMBER OF REGIONAL CARRIERS OPERATING SMALLER AIRCRAFT TO LESS POPULATED CENTERS RECEIVE DIRECT FINANCIAL ASSISTANCE FROM THE LAENDER (PROVINCIAL GOVERNMENTS).

6. RE QUESTION K, LUFTHANSA AT PRESENT DOES NOT OPERATE ANY GERMAN MANUFACTURED AIRCRAFT (REF B). THE BUDGET FORECAST CONTAINS DM 6.5 MILLION TO BE APPLIED TO THE PURCHASE OF 3 AIRBUS A-300 B-2 AND DM 720,000 FOR AN OPTION COVERING FOUR ADDITIONAL A-300 B-2 AIRCRAFT. RECENT DEVELOPMENTS IN GOVERNMENT FINANCING ARRANGEMENTS IN SUPPORT OF THE MARKETING OF THE AIRBUS WERE REPORTED IN A SEPARATE MESSAGE (REF C).

7. EMBASSY IS DEVELOPING INFORMATION ON MAIL RATES
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(QUESTION F) AND WILL REPORT FURTHER.
HILLENBRAND

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Message Attributes

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